Energy

BUSINESS PLAN 2013-16

ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of February 13, 2013.

original signed by

Ken Hughes, Minister
February 20, 2013

THE MINISTRY

The ministry consists of the Department of Energy, the Alberta Petroleum Marketing Commission (APMC), the Energy Resources Conservation Board (ERCB), the Alberta Utilities Commission (AUC), and the Post-Closure Stewardship Fund. The APMC markets the Crown's conventional oil royalty barrels and executes commercial initiatives to support value-added projects as well as market and infrastructure development. The ERCB and AUC are provincial agencies exercising independent adjudicative functions for which the Minister of Energy is responsible. The ERCB regulates the safe, responsible and efficient development of pipelines and Alberta's energy resources: oil, natural gas, oil sands and coal. The AUC regulates the utilities sector, natural gas and the electricity markets to protect the social, economic and environmental interests of Alberta where competitive market forces do not.

Energy's mission is to assure sustained prosperity in the interests of Albertans through the stewardship of energy and mineral resource systems, responsible development and wise use of energy. This includes having regard for social, economic, and environmental impacts of Alberta's resource development.

The ministry's core businesses are:

- managing the development of non-renewable resources and electricity;
- granting industry the right to explore for and develop energy and mineral resources;
- establishing, administering and monitoring the effectiveness of fiscal and royalty systems;
- promoting energy efficiency and conservation by Albertans and industry; and
- encouraging additional investment, fostering job creation and economic prosperity.

Programs and services delivered by the ministry will be reviewed for relevance, effectiveness and efficiency in accordance with the Government of Alberta's *Results-based Budgeting Act.*

A more detailed description of Energy and its programs and initiatives can be found at www.energy.alberta.ca.

This business plan is aligned with the government's goals as set out in the *Government of Alberta Strategic Plan.*

GOALS, PRIORITY INITIATIVES AND PERFORMANCE MEASURES

As a result of the ministry's review of its goals, environment, opportunities and challenges, a number of priority initiatives have been identified. Focused agenda items, the six specific areas where government will focus its attention over the next three years, are identified with a ✱. Additional government commitments to Albertans are identified with a ✓.

Goal One: Albertans are assured of the benefits from energy and mineral resource development

Priority Initiatives:

✱1.1 Explore opportunities to develop and expand Alberta's access to key global markets to better serve Alberta's long-term interests.

1.2 Expand energy-related collaboration in key Asian markets to secure market access opportunities for Alberta companies and resources.

1.3 Monitor and report on the effectiveness and competitiveness of Alberta's royalty system to incent development and maximize benefits to Albertans.

1.4 Maintain and support Alberta's investment competitiveness within the natural gas, oil, oil sands, coal and mineral development sectors.

1.5 Ensure energy and mineral resource revenues are accurately calculated, collected and reported.

1.6 Develop policies and programs to encourage energy processing and petrochemical development in Alberta.

1.7 Support the development of oil, oil sands, unconventional gas, coal and mineral resources to maximize Alberta's long-term economic sustainability.

Performance Measures	Last Actual 2011	Target 2013-14	Target 2014-15	Target 2015-16
1.a Combined tax and royalty rates for Alberta natural gas and conventional oil production, compared to similar jurisdictions	Alberta within First Quartile[1] 34.73% (Natural Gas) 38.97% (Conventional Oil)	Alberta will have a combined royalty and tax rate that is in the top quartile of investment opportunities compared to similar jurisdictions		
1.b Revenues from oil, oil sands, gas and land sale bonuses are fully collected: Percentage of amounts collected compared to amounts owed	100%	100%	100%	100%
1.c Alberta's oil sands supply share of global oil consumption	2.0%	2.2%	2.3%	2.4%

Note:

1 First Quartile threshold: Natural Gas - up to 46.85 per cent; Conventional Oil - up to 47.92 per cent.

Goal Two: Effective stewardship of Alberta's energy resources and regulatory systems is achieved through leadership and engagement with citizens, communities, industry and governments

Priority Initiatives:

✱2.1 Collaborate with Environment and Sustainable Resource Development to implement the *Responsible Energy Development Act*, which establishes an integrated single regulator with responsibility for oil, gas, oil sands and coal.

✓2.2 Coordinate the development of a Canadian Energy Strategy with all other provinces and territories as a co-lead with Manitoba and Newfoundland and Labrador.

✓2.3 Together with Agriculture and Rural Development and Environment and Sustainable Resource Development design and implement initiatives to make Alberta the national leader in energy efficiency and sustainability.

2.4 Work with other ministries on furthering regional plans and air/water/biodiversity frameworks that consider the cumulative effects of land-use activities.

2.5 Enhance awareness and understanding of existing and emerging trends and opportunities relating to energy development and use in Alberta.

2.6 Provide effective regulation of energy development in Alberta that is fair, responsible and in the public interest.

2.7 Maintain high standards of public safety, environmental protection and energy resource conservation by ensuring regulatory requirements are relevant, understood and enforced.

2.8 Improve on regulatory processes to ensure they are effective, efficient, fair and transparent.

Performance Measures	Last Actual 2011	Target 2013-14	Target 2014-15	Target 2015-16
2.a Albertans' assessment of their energy knowledge (biennial survey)[1]	63%	To maintain or increase the previous year's results		
2.b Regulatory noncompliance (ERCB): Percentage of field inspections finding High Risk regulatory noncompliance	3.2%	Less than or equal to 3.0%	Less than or equal to 3.0%	Less than or equal to 3.0%

Note:

1 The target for this measure has been revised from past business plans to more consistently reflect the desired trend.

Goal Three: Development of energy related infrastructure and cleaner energy technologies is actively led and supported

Priority Initiatives:

✓ 3.1 Work with Environment and Sustainable Resource Development and the federal government to develop coal-fired and oil and gas regulations that support the common goal of reducing carbon dioxide emissions while not unduly impacting Alberta consumers, government royalties and industry.

✓ 3.2 Respond to the recommendations of the Retail Market Review Committee to enhance Alberta's competitive retail market so that it continues to meet Alberta's electricity and natural gas needs.

✓ 3.3 Support development of cleaner energy technologies, including microgeneration, while maintaining Alberta's investment competitiveness and investor confidence.

3.4 Support the development and sustainability of energy related infrastructure in support of future economic prosperity.

3.5 Promote effective innovation policies and programs to achieve technology and processing improvements in the development of energy and mineral resources.

3.6 Improve the transmission interconnection process to ensure timely and efficient interconnection of new electricity customers or generators to the Alberta Interconnected Electric System.

3.7 Conduct a coordinated review with stakeholders to examine approaches to assist with mitigating the impacts on ratepayers resulting from significant electric transmission sector investments.

Performance Measures	Last Actual 2011	Target 2013-14	Target 2014-15	Target 2015-16
3.a Transmission Losses	3.4%	3.1%	3.0%	3.0%
3.b Power Generation: Margin (megawatt) between Firm Generating Capacity and peak demand	12%	Maintain a minimum 7% margin over peak load		
3.c Timeliness of the needs and facility applications (AUC): Percentage of needs and facility applications determined within 180 days of the application being deemed complete	98.7%	100%	100%	100%

OPERATIONAL PLAN

(thousands of dollars)	Comparable					
	2011-12 Actual	2012-13 Budget	2012-13 Forecast	**2013-14 Estimate**	2014-15 Target	2015-16 Target
Operational Expense						
Ministry Support Services	6,685	6,832	6,832	**6,801**	6,892	6,788
Resource Development and Management	97,371	100,806	100,806	**87,720**	88,243	96,899
Biofuel Initiatives	41,682	66,000	66,000	**98,000**	116,000	114,320
Costs of Marketing Oil	36,740	40,000	40,000	**43,100**	44,100	43,113
Oil Sands Sustainable Development Secretariat	2,199	3,089	3,089	**3,089**	3,161	3,090
Energy Regulation	175,755	173,957	173,957	**170,857**	173,227	173,957
Settlements Related to the Land-use Framework	-	-	30,500	-	-	-
Utilities Regulation	33,761	38,514	39,214	**37,764**	38,358	38,514
Carbon Capture and Storage	1,981	2,000	2,000	**2,300**	3,400	3,900
Orphan Well Abandonment	13,116	13,000	13,000	**12,750**	13,000	13,000
Total	409,290	444,198	475,398	**462,381**	486,381	493,581

CAPITAL PLAN

Capital Spending						
Resource Development and Management	6,852	6,315	5,778	**6,315**	6,315	6,315
Energy Regulation	13,044	9,000	9,000	**9,000**	9,000	9,000
Utilities Regulation	1,356	1,500	1,500	**1,500**	1,500	1,500
Carbon Capture and Storage	19,500	138,000	115,000	**179,800**	161,900	243,050
Total	40,752	154,815	131,278	**196,615**	178,715	259,865